

- [Jobs](#)
- [Real Estate](#)
- [Autos](#)
- [Media & Advertising](#)
- [World Business](#)
- [Small Business](#)
- [Your Money](#)
- [DealBook](#)
- [Markets](#)
- [Research](#)
- [Mutual Funds](#)
- [My Portfolio](#)
- [Alerts](#)

Markets Slide as Wall Street Sees Signs of Trouble



Henny Ray Abrams/Associated Press

Traders Friday at the New York Stock Exchange. The Dow Jones industrial average had its biggest loss since Aug. 9.

- [E-Mail](#)
- [Print](#)
- [Reprints](#)
- [Save](#)
- [Share](#)
- [Del.icio.us](#)

- o [Digg](#)
- o [Facebook](#)
- o [Newsvine](#)
- o [Permalink](#)

ARTICLE TOOLS
SPONSORED BY

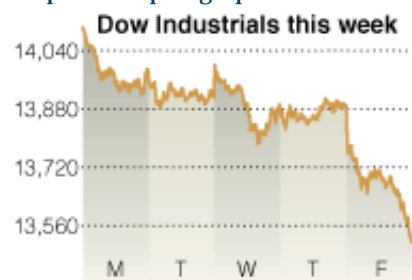


By MICHAEL M. GRYNBAUM

Published: October 20, 2007

Call it Gray Friday.

[Skip to next paragraph](#)



Source: Bloomberg Financial Markets

THE NEW YORK TIMES

Stocks plunged to their lowest level in a month yesterday, with the [Dow Jones](#) industrials dropping more than 360 points.

The steep drop happened on the 20th anniversary of the one-day plunge that came to be known as Black Monday. And it capped a week in which the market was hit with a battery of poor earnings reports, particularly from large banks.

It also served to remind investors of the economy's broader problems: the housing slowdown and the tight credit markets.

Yesterday's slide began with reports of disappointing performances from [Wachovia](#) Bank and [Caterpillar](#), the machinery manufacturer. Wachovia's report of a 10 percent drop in income and \$1.3 billion in losses and write-downs followed similar announcements this week from [Citigroup](#) and [Bank of America](#).

The Dow, which had its worst week since late July, has fallen more than 4 percent from the record high it set 10 days ago. It closed at 13,522.02, down 366.94 for the day, or 2.6 percent.

"We're like a bunch of adolescents right now," Jerry Webman, chief economist at Oppenheimer Funds, said of investors. "Last week we got some good news, and we're happy. Now we're all sullen and down in the dumps."

It was the worst one-day loss for the Dow since Aug. 9, when it lost 387.18 point, though the average remains up 8.5 percent for the year.

The Dow's decline yesterday was mirrored in the broader Standard & Poor's 500-stock index and the Nasdaq composite.

Crude oil prices also retreated, falling from the record they reached Thursday. Oil closed down 87 cents, at \$88.60. And the dollar hit record lows against the euro.

David Kelly, an economist at Putnam Investments, the mutual fund company in Boston, warned against seeing the market plunge as a bellwether. "What may seem like tough times on Wall Street isn't so tough for the economy as a whole," he said.

But a prominent figure in the hedge fund industry, Julian H. Robertson Jr., said yesterday that the economy was heading for a "doozy of a recession."

"I think the credit situation is worse than anybody realizes," he said on CNBC. "I don't think any of the normal indicators you would look at in the economy are really very strong. As a matter of fact, they are weak, and not really getting any better."

Yesterday's steep sell-off was reminiscent of the Oct. 19, 1987, decline, though not nearly as harsh. That day brought the Dow's worst single-session decline ever, a loss of 508 points, or 22.6 percent.

Still, yesterday's losses were unnerving to investors shaken by a week of write-offs at major banks and the surging price of crude oil.

Wachovia's report came after Bank of America's announcement on Thursday that its third-quarter earnings plunged 32 percent, in part because of heavy losses in consumer banking.

"All these financial companies reporting on their earnings is contributing to the sourness of the mood," Mr. Kelly said. "It's putting a big focus on a big problem, and I think that's scaring people on Wall Street who are close to all of these problems."

Bank of America joined Citigroup and [JPMorgan Chase](#) this week in planning an ambitious fund to stave off further problems in the credit markets, though investors seem ambivalent about the safety net. The plan is intended to relieve the pricing pressure on mortgage-backed securities held by institutions and known as structured investment vehicles.

Two such entities in Europe —run by Cheyne Capital Management of London and IKB Deutsche Industriebank of Düsseldorf, Germany — defaulted yesterday on more than \$7 billion of debt.

But in the United States, it was clear that investors' concerns went beyond the financial sector. Earnings reports from Caterpillar and [Honeywell International](#), both part of the Dow industrials, did not meet expectations, and that was seen as a sign that the credit troubles were clouding the broader economy.

Caterpillar posted a 21 percent gain in quarterly profit but fell short of analysts' estimates. The company cut its full-year profit forecast, sending its stock down 5.3 percent, to \$73.57.

Net income at Honeywell, the manufacturer based in New Jersey, climbed 14 percent, and the company raised its yearly sales expectations. But the stock still fell nearly 4 percent, to \$58.32.

Shares of [3M](#), another Dow component, plunged 8.6 percent, to \$86.62, even after the company raised its profit forecast and posted a 7.4 percent increase in third-quarter profit. 3M lowered revenue expectations and said it would be forced to cut prices.

The disappointing reports, coupled with a week of mixed economic data, underscore investors' concerns over the fourth-quarter outlook.

The Fed's beige book, a report based on surveys of business leaders across the country, said companies expected a "modest" and "mixed" economy in coming months, as prices start to rise and the labor sector weakens.

Yesterday was the 44th day in 2007 when the market moved more than 1 percent, according to Howard Silverblatt, senior index analyst at Standard & Poor's. In 2006, the market had only 29 such days, he said, suggesting increased jitters among investors.

"What the market hates more than anything else is uncertainty," said William Rhodes, chief investment strategist at Rhodes Analytics. Yet Mr. Rhodes himself sounded rather uncertain.

"Is this the beginning of a bear market?" he asked. "I have to say right now, I don't think it is. Ask me in another week, and I might have a different opinion."

[Next Article in Business \(2 of 16\) »](#)

[Need to know more? 50% off home delivery of The Times.](#)

Ads by Google

what's this?

[Top 10 Stocks for 2007](#)

America's 9 Leading Stock Experts Share Their Top Picks. Free Report.
www.NewsletterAdvisors.com

[Death of The US Dollar?](#)

Learn Which Foreign Markets Are Creaming The US By Up To \$11 to \$1!
MoneyAndMarkets.com

[Dow Jones -- Free Chart](#)

Keep DJ stock on your desktop all day every day - Free Download!
www.MarketBrowser.com

Tips

To find reference information about the words used in this article, double-click on any word, phrase or name. A new window will open with a dictionary definition or encyclopedia entry.

Past Coverage

- [A Losing Session Ends on a Late Bounce](#) (October 19, 2007)
- [India Proposes to Rein in Foreign Investment](#) (October 18, 2007)
- [FUNDAMENTALLY; An Aging Bull Can Still Be a Raging Bull](#) (October 14, 2007)
- [Job Growth Looks Rosier, Easing Recession Fears](#) (October 6, 2007)

Related Searches

- [Stocks and Bonds](#)
- [Economic Conditions and Trends](#)
- [Dow Jones Stock Average](#)
- [Nasdaq Composite Index](#)

[Next Article in Business \(2 of 16\) »](#)